

Message Text

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44

ACTION OPR-02

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 7989

INFO AMEMBASSY OUAGADOGOU

AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

USINT ALGIERS

AMEMBASSY CAIRO

AMCONSUL DHAHRAN

AMCONSUL JERUSALEM

AMEMBASSY KUWAIT

AMEMBASSY MANAMA

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E.O.: 11652: N/A

TAGS: ALOW, SA

SUBJ: DIFFERENTIAL AND COST OF LIVING ALLOWANCE FOR SAUDI
ARABIA

REF : STATE A-5238

SUMMARY: CUTS IN DIFFERENTIAL AND COST OF LIVING ALLOWANCES IN SAUDI ARABIA WERE UNEXPECTED AND REMAINED UNEXPLAINED. WHILE PRIVATE COMPANIES GIVE FINANCIAL INCENTIVES TO THEIR RAPIDLY EXPANDING STAFFS, THE USG, WHOSE RESPONSIBILITIES IN THE COUNTRY ARE GROWING AT AN UNPRECEDENTED RATE, TAKES STEPS TO INSURE THAT RECRUITING OF GOOD OFFICERS AND STAFF FOR THE POSTS WILL STOP OR THAT WE WILL GET ONLY THE WORK DRUDGES OR THE DREGS OF THE SERVICE. WE ARE PREPARING A NEW DIFFERENTIAL JUSTIFICATION AND WILL SUBMIT MONTHLY COST OF LIVING REPORTS. IN THE INTERIM WE REQUEST THAT DIFFERENTIAL BE RESTORED TO 25
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PERCENT THROUGHOUT THE COUNTRY; AND THAT JIDDA BE

RESTORED TO CLASS IV AND DHAHRAN TO CLASS V. END SUMMARY.

1. WE WERE NEITHER AMUSED NO INSTRUCTED BY THE RECENT REDUCTION OF DIFFERENTIAL IN SAUDI ARABIA FROM 25 PERCENT TO 15 PERCENT. WHEN WE POINTED OUT THE EXTRAORDINARY DIFFICULTIES OF LIFE IN SAUDI ARABIA, WE RECEIVED WHAT APPEARED TO BE THE STANDARD STATE DEPARTMENT RESPONSE TO SIMILAR COMPLAINTS IT MUST HAVE RECEIVED FROM THE MANY POSTS WHOSE DIFFERENTIALS WERE CUT.

2. ALTHOUGH WE HAVE FOUND IT DIFFICULT TO DO SO, WE ARE FORCED TO CONCLUDE THAT THE DEPARTMENT'S ACTION WAS SIMPLY ITS RESPONSE TO PRESSURE FROM OMB, AND POSSIBLY OTHER AGENCIES, TO REDUCE STATE DEPARTMENT EXPENDITURES, NOT BECAUSE IT HAD CONCLUDED THERE WERE ANY VALID, NEW REASONS FOR CUTTING DIFFERNETIALS. WE BELIEVE WE MIGHT THEREFORE ASK WHETHER OMB'S MOTIVES HAVE BEEN QUESTIONED SERIOUSLY BY THE DEPARTMENT. DOES IT WISH TO ELIMINATE ALL HARD-SHIP ALLOWANCES? DOES IT REALIZE WHAT THIS WOULD DO TO RECURITMENT? DOES IT PLAN ALTERNATIVE INCENTIVES OR DOES IT CARE?

3. TO ASSUME THAT LIVING CONDITIONS MIRACULOUSLY IMPOROVE SIMULTANEOUSLY IN LITERALLY DOZENS OF POSTS AROUND THE WORLD IS NOT CREDIBLE. CONVERSELY, WE HAVE NOT NOTED THAT CONDITIONS IN WASHINGTON OR ELSEWHERE IN THE U.S. HAVE DETERIORATED MARKEDLY RELATIVE TO LIFE ABORAD. BUT WE HAVE ADDRESSED OURSELVES SOLELY TO CONDITIONS IN SAUDI ARABIA.

4. IN OUR MISSIVES WE HAVE POINTED OUT THE TOTAL LACK OF CULTURAL OR INTELLECTUAL STIMULATION IN SAUDI ARABIA, THE UNIQUE RPT UNIQUE RESTRICTIONS ON WOMEN AND SOCIAL INTER-COURSE IN SAUDI ARABIA. THE CLIMATE AND ISOLATION IS A MATTER OF RECORD. AN HOUR ON THE STREETS AND HIGHWAYS QUICKLY DEMONSTRATES THE PERSONAL RISK OF HIGH ACCIDENT RATE. AND MEDICAL CARE IS ABOMINABLE. WE ANXIOUSLY AWAITE THE DEPARTMENT'S RATIONALE FOR THE DECREASE IN ALLOWANCES. WE GOT NONE. BUT WE WERE NOT ALONE; WE WERE TOLD BY OUR RECENT INSPECTORS THAT EVEN THEY WERE NOT PERMITTED TO SEE THE NEW CRITERIA FOR DETERMINING POST DIFFERNETIALS. LIMITED OFFICIAL USE

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WHILE THIS IS AN INTERESTING WAY OF HANDLING THE PROBLEM, THE DEPARTMENT MUST BE AWARE OF ITS EFFECT ON MORALE. THE DEPARTMENT MUST KNOW, AS DO WE, THAT BY SELECTIVE CHOOSING OF CRITERIA IT WOULD BE POSSIBLE TO ELIMINATE THE DIFFERENTIAL FROM ANY GIVEN POST. SHOULD GREAT EMPHASIS BE PLACED ON HARDSHIPS ARISING FORM LOW TEMPERATURES AND ON THE DANGERS OF DRIVING ON ICY ROADS, HELL ITSELF WOULD LOOK GOOD.

4. NOW, AFTER THE DECREASE IN DIFFERENTIAL, THE POST'S COST OF LIVING ALLOWANCE HAS ALSO BEEN DECREASED. THIS WAS EVEN MORE AMAZING AS WE HAVE NOTED SIMULTANEOUSLY THAT WHILE FOOD PRICES IN THE U.S. ARE DECREASING, THEY ARE SKYROCKETING IN SAUDI ARABIA. THE AMBASSADOR, FOR EXAMPLE, SPENDS \$1,000 PER MONTH ON NON-REIMBURSED FOOD AND DRINK. THIS IS ALMOST THREE TIMES HIS EXPENDITURE IN WASHINGTON. WE ARE PREPARING A FULL NEW COST OF LIVING REPORT (ALTHOUGH NONE IS DUE) AND WILL PREPARE MONTHLY REPORTS FROM HERE ON; WE PRESUME THE DEPARTMENT NEEDS THIS AS IT SEEMS TO REDUCE ALLOWANCES MORE OR LESS AD LIB. WE WONDER HOW MANY AMERICANS PAY \$3.68 PER POUND FOR CHUCK ROAST (SUPERMARKET AD IN THE LAST D.C. PAPER WE HAVE - APRIL 4 - QUOTES 79 CENTS PER POUND), \$1.20 PER POUND FOR MARGARINE, OR 84 CENTS A QUART FOR POWDERED RPT POWDERED MILK? IT SHOULD BE NOTED THAT IN THE PAST TWO YEARS THE EXCHANGE RATE HAS GONE FROM SR4.50 TO THE DOLLAR TO SR3.55 TO THE DOLLAR, A 20 PERCENT DECLINE. THIS IS COUPLED WITH A 12 PERCENT ANNUAL RIYAL INFLATION, OR A TOTAL DECREASE IN THE PURCHASING POWER OF THE DOLLAR OF 22 PERCENT PER YEAR, RATHER HIGHER WE BELIEVE THAN IN THE U.S.

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5. THE MAIN REASON GIVEN IN REFERENCED AIRGRAM FOR CUTTING THE COST OF LIVING ALLOWANCE WAS THAT LESS HOUSEHOLD HELP WAS USED NOW THAN IN THE PAST. THIS IS CORRECT. AND IF IT WERE NOT APPLIED SO RUDELY TO US WE WOULD FIND IT FUNNY. LESS HELP IS BEING USED BECAUSE SERVANTS' WAGES HAVE MORE THAN DOUBLED RPT DOUBLED IN THE LAST TWO YEARS. OFFICERS FRESH FROM SOUTH ASIA REPORT THEIR ONE SERVANT HERE (\$200-\$275 A MONTH AND RISING) COST MORE THAN SIX OR EIGHT WOULD COST IN NEW DELHI OR ISLAMABAD. NO SECRETARIES, VERY FEW OF THE ADMINISTRATIVE SUPPORT, AND EVEN OFFICERS CAN AFFORD MORE THAN PART-TIME HELP. THE RESULT IS THAT THE WIFE, WHOSE ATTRIBUTES WE ARE FORBIDDEN TO MENTION IN EFFICIENCY REPORTS, WHOSE SERVICES CANNOT BE CALLED ON FOR OFFICIAL, SOCIAL, OR REPRESENTATION FUNCTIONS, MUST TAKE OVER THE POST OF THE SERVANT. WERE HER SERVICES PROPERLY RECOMPENSED OR EVEN CALCULATED, IT WOULD BE SEEN THAT THE TRUE COST OF HIRED HELP IN SAUDI ARABIA HAS INCREASED DRAMATICALLY. IN A SEPARATE AIRGRAM WE WILL PROPOSE HIRING LIMITED OFFICIAL USE

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WIVES AS PART-TIME DOMESTICS FOR REPRESENTATIONAL FUNCTIONS.

6. WE HAVE DESCRIBED IN OTHER REPORTS THE IMPORTANCE OF THIS POST AND THE NECESSITY OF RECURITING TOP-NOTCH PERSONNEL. THE POST HAS BEEN RAISED TO A CLASS II AND WE TURST IT WILL SHORTLY BE RAISED TO CALSS I. THIS MIGHT GIVE US A SET OF NEW TITLES. BUT WHEN ALLOWANCES ARE CUT SIMULTANEOUSLY IT WILL DO LITTLE TO ASSIST RECRUITMENT.

7. THE NEW IMPORTANCE OF SAUDI ARABIA, AND THE EXCITEMENT OF THE WORK CAN BY THEMSELVES BE ADEQUATE COMPENSATION FOR THE AMBASSADOR, THE DCM, AND POSSIBLY OTHER OFFICERS, IF THEY ARE INDEPENDENTLY WEALTHY. BUT TO ASK A GOOD COMMUNICATIONS OFFICER, A SECRETARY OR ADMINISTRATIVE STAFF TO SERVE IN SAUDI ARABIA SOLELY FOR THE GLORY AND BECAUSE OF SAUDI ARABIA'S IMPORTANCE TO THE UNITEDS STATES IS SOMETHING THE DEPARTMENT CANNOT DO. OUR SECRETARIES AND OUR COMMUNICATORS CAN ALSO ADVANCE U.S. INTERESTS BY WORKING FOR PRIVATE COMPANIES AT TWICE THEIR SALARIES.

8. THE AMERICAN PRESENCE IN SAUDI ARABIA WILL EXPAND DRAMATICALLY IN THE NEXT FEW YEARS. THIS MIGHT MAKE LIVING SOMEWHAT EASIER. ON THE OTHER HAND, IT COULD MAKE IT EVEN MORE DIFFICULT AND EXPENSIVE. IN ANY CASE, OTHER AMERICAN COMPANIES NOW RPT NOW OPERATING IN SAUDI ARABIA UNDERSTAND THE

PROBLEM OF RECRUITING AND MAKE APPROPRIATE ADJUSTMENTS. WE WILL SEND IN A FULL LIST OF COMPARISONS WITH OUR FINAL REPORT, BUT LET US FIRST LOOK AT THREE OF THE LARGEST AMERICAN EMPLOYERS IN THE COUNTRY. ARAMCO IS MOST IMPORTANT AND THERE ARE LITERALLY DOZENS OF ARAMCO EMPLOYEES WHO ARE NOW MILLIONAIRES. WE WOULD LIKE TO KNOW ONE FSO WHO, ON SALARY ALONE, HAS ACCOMPLISHED AS MUCH. FIRST OF ALL THERE IS A MUCH HIGHER BASE WAGE AT ARAMCO THAN IS PAID IN THE FOREIGN SERVICE. TO THIS ARAMCO ADDS A 40 PERCENT DIFFERENTIAL ON THE FIRST \$12,500 OF SALARY AND 10 PERCENT ON THE BALANCE. FOOD IS SUBSIDIZED; TRANSPORTATION TO AND FROM SCHOOLS ABROAD FOR ALL STUDENTS ABOVE GRAMMER SCHOOL IS PAID THREE TIMES A YEAR. THEN THERE IS LOCKHEED, AGAIN WITH A MUCH HIGHER BASE PAY, WHICH GIVES A 40 PERCENT DIFFERENTIAL IN ADDITION TO A VERY SUBSTANTIAL COST OF LIVING BASED ON FAMILY SIZE AND RANK. IT ALSO PROVIDES AIRLINE PASSAGES FOR TRAVEL BACK TO THE U.S. LIMITED OFFICIAL USE

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FINALLY, NORTHROP HAS JUST INCREASED ITS DIFFERENTIAL FOR SERVICE IN SAUDI ARABIA FROM 47 PERCENT TO 55 PERCENT. WE SHOULD NOT NEED TO POINT OUT THAT OF THIS INCOME, IN ALL THREE CASES, IS FREE OF U.S. INCOME TAX.

9. A FINAL POINT, WHICH PERHAPS HAS NOT BEEN ADEQUATELY EMPHASIZED IN OUR EARLIER REPORTS, IS THE HIGH INCIDENCE OF MENTAL ILLNESS AMONG FOREIGNERS LIVING IN SAUDI ARABIA. THE ONLY KNOWN PALLIATIVE IS FREQUENT ESCAPE TO A FRIENDLIER ATMOSPHERE. THE ONLY WAY THE AVERAGE FOREIGN SERVICE EMPLOY CAN DO THIS IS TO PAY FOR HIS TRAVEL WITH THE MONEY SAVED ON HIS DIFFERENTIAL. IF THE REMAINS OF HIS DIFFERENTIAL MUST NOW BE USED FOR THE BASIC ELEMENTS OF LIVING, THERE CAN BE NO RPT NO INCENTIVE FOR WORKING IN SAUDI ARABIA (APART FROM THE INTEREST OF THE WORK ITSELF). DEPARTMENT OF STATE, ARMY AND INTERIOR RECRUITERS WILL HAVE TO USE CONSIDERABLE CHARM IN CONVINCING PROSPECTIVE EMPLOYEES THAT LIVING IN JIDDA, DHAHRAN, RIYADH, TABUK OR KHAMIS MUSHAYT IS AS GOOD AS LIVING IN LONDON, PARIS OR MEXICO CITY.

10. ONCE AGAIN WE ASK THAT THE COUNTRY DIFFERENTIAL BE RESTORED TO 25 PERCENT, THAT THE COST OF LIVING BE RESTORED TO CLASS IV FOR JIDDA AND TO CLASS V FOR DHAHRAN, PENDING RECEIPT OF THE NEW REPORTS WHEN WE WILL EXPECT THEM TO BE INCREASED.

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